

APPENDIX A--PROCEDURES FOR THE ADMINISTRATIVE CONTROL OF FUNDS

A. **ADMINISTRATIVE CONTROL SYSTEMS.** As discussed in chapter 1, systems for administrative control of funds should be designed so that administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management. For instance, a single allotment for an appropriation or other fund normally provides a sufficient basis for control of funds without further allotments or suballotments at lower levels, such as program elements, object classes, or other types of data. Use of limitations on funding documents shall be restricted to those necessary (1) to comply with statutory provisions imposed by the DoD Authorization or DoD Appropriation Acts, or other legislation, and (2) to address specific management requirements.

1. Reporting Requirements for Administrative Control Systems. A system for administrative control of funds shall be established to provide data for reviewing the efficiency with which funds are administered or used. When a need exists for accumulating data below the allotment level, reporting requirements shall be established separately from an administrative subdivision of funds.

2. Delegations of Authority. All delegations or redelegations of authority or functions under Chapter 1 of this Volume shall be made in writing. No delegation or redelegation of authority or functions shall be exercised in any manner that limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities under this Volume.

3. Apportionments

a. When DoD-military appropriations or other funds are required to be apportioned under law by the Office and Management and Budget (OMB) to a DoD Component, a request for the apportionment or reapportionment shall be prepared and submitted through the Under Secretary of Defense (Comptroller) to the Director of OMB. A request for an apportionment shall be in such form and at such time as the Under Secretary of Defense (Comptroller) may prescribe to conform with the requirements of the Director of OMB (see Volume 2 of this Regulation).

b. Obligations during any apportionment period shall not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment.

4. Allocations

a. The Under Secretary of Defense (Comptroller) or designee, shall make allocations of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a

Military Department, or designee, shall make further allocations of apportioned amounts, in writing, to the heads of operating agencies.

(1) The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature shall be forwarded to the recipient of the allocation. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

(2) Amounts allocated may be suballocated to major subordinate operating commands.

b. Allocations shall not exceed the amount available for use for each apportionment period.

c. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allocations and suballocations shall have the following minimum characteristics:

(1) Fund control systems shall provide validation of fund authorities by use of access codes and lockout techniques.

(2) One set of access codes shall be used to issue fund authorizations.

(3) Other controlled access codes shall be used to process a signature section of fund control documents for transmissions to funded activities.

(4) The authentication, signature element, and symbol shall be included as part of electronically-produced funding documents.

d. Anticipated transfers or other items of anticipated receipts may be allocated only when realized.

e. Allocations, suballocations, or portions of an allocation, that are not required to be subdivided further may be treated and recorded as allotments.

f. DoD Components shall not authorize or incur an obligation, or make a disbursement against apportioned anticipated transfer authorizations until received. Such actions must be delayed until the completed Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization," is received and the resources realized.

g. DoD Components shall not authorize or incur an obligation or make a disbursement against apportioned anticipated reimbursements. Such actions shall be delayed until the applicable customer order is received in the case of the Federal Government activities and funds are collected in the case of other customers.

5. Allotments

a. The recipients of allocations and suballocations, or their designees, shall make allotments in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allotted shall not exceed the amount of the allocation available for each period.

b. The recipients of allotments may make suballotments to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballotted shall not exceed the amount of the allotment available for use for each period.

c. Allotments and suballotments shall be made in writing and the recipient's copy either shall be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. The document shall contain at least the following basic information:

(1) Name or title of the allottee.

(2) Amount of the allotment and the period of availability.

(3) Legal restrictions or limitations on the obligation and disbursement of the allotted funds.

(4) The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.

d. In emergency circumstances, it may not be possible to provide a formal allotment or suballotment document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

(1) A telephone may be used to make oral arrangements to indicate that funds will be provided. However, the official allocation or allotment of funds does not occur until the documentation of the issuance of funds has been transmitted by the issuer and received by the recipient by means of a facsimile machine (fax) record.

(2) In such cases, both the issuer and recipient shall document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer shall immediately fax a copy of the documentation to the recipient and request acknowledgment of receipt by fax. The recipient shall sign the documentation and return a copy to the issuer by fax. The issuer shall sign the same documentation and return by fax a copy containing both signatures. The official funds issuance does not occur until this final double-signed transmission document has been received by the recipient of the funds.

(3) The recipient is not authorized to issue funds to others or authorize or incur obligations with the funds received until after receipt of the double-signed transmission record.

e. The head of an operating agency, who has specific written approval of the Head of a DoD Component, may establish centrally-managed allotments. These allotments shall be established only when it is impractical to administer decentralized allotments under normal operating procedures. More specific guidance on requirements for establishing centrally-managed allotments are provided in Volume 3 of this Regulation. Before approval, a specific written determination shall be made that adequate controls have been established to avoid overobligating or overexpending such an allotment.

(1) The amount of the centrally-managed allotment shall be within the amount and terms of the allocation.

(2) Requests for the establishment of a centrally-managed allotment must justify fully the need, delineate possible alternatives, and demonstrate clearly why the centrally-managed allotment method is the only practical administrative procedure.

(3) The official who establishes or continues the use of a centrally-managed allotment shall be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each centrally-managed allotment.

(4) The establishing or continuing official is responsible for the administration of each centrally-managed allotment and shall prescribe an adequate system of financial and nonfinancial control. The system shall:

(a) Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each centrally-managed allotment.

(b) Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

(c) Provide for accounting and reporting at least monthly.

(d) Ensure timely notice to prevent the centrally-managed allotment from being overobligated or overexpended by taking necessary management action, which may include:

1. Increasing the amount of the centrally-managed allotment.

2. Terminating the centrally-managed allotment.

3. Terminating new obligations or disbursements.

4. Taking other necessary management actions to prevent an overobligation or overexpenditure.

(5) Each centrally-managed allotment shall be reviewed annually to determine whether its operation should be continued. This determination shall be made by the head of the DoD Component concerned, or designee. The annual review shall include an evaluation by an internal audit group of the adequacy of control procedures established to prevent violations of subsections 1341(a)(1) or 1517(a) or both, of Title 31, United States Code, and a recommendation whether continuation of the centrally-managed allotment is justified.

6. Reimbursable Orders

a. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

b. Apportioned reimbursements shall not be allotted unless there is reasonable assurance that orders will be received. Even though apportioned and allotted, these estimates shall not be considered budgetary resources available for obligation unless the following two conditions are met:

(1) Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

(2) Advance payment has been collected, in the case of orders from the public.

c. In the case of Federal Government customer orders, the value of the reimbursable order and the associated budgetary resources is subject to the amount of the goods and services as provided to the customer and ultimately collected from the customer. In the case of the supply management area of the Defense Business Operation Fund, anticipated contract authority is provided by the OMB that allows for issuance of obligations and disbursements prior to receipt of customer orders.

d. Under certain circumstances, and only with the prior written approval of the OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized. (See Volume 2 of this Regulation.)

e. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

(1) These orders, except Foreign Military Sales (FMS) orders, shall be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign

government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

(2) FMS Disbursement controls shall be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury by the FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

e. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

f. Officials responsible for incurring obligations and making expenditures shall be particularly cognizant of reimbursable authority received. Controls shall be established to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

7. Reconciliations. DoD managers at all levels shall ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors shall be corrected immediately and negative account balances shall be researched and reconciled promptly with appropriate source documents.

a. Transactions or adjustments shall be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers shall not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the mistaken appearance of a potential Antideficiency Act violation which occurred because of careless record keeping.

b. An investigation shall be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) as required by this Volume if a manager suspects that a potential violation of the Antideficiency Act may have occurred. However, investigations of potential violations of the Antideficiency Act should not be required merely to force correction of erroneous records.

B. **FINANCIAL MANAGEMENT SYSTEMS.** In addition to effective and efficient administrative funds control systems established by the DoD Components, the Defense Finance and Accounting Service (DFAS) shall be responsible for establishing accounting and finance systems. The accounting and finance systems shall be established for reporting commitments and obligations created by DFAS's customers and expenditures made against those customers' obligations by the DFAS. Title 31, United States Code, section 3512, contains the following requirements for those systems:

1. Federal Agencies shall maintain systems of accounting and internal controls that ensure (a) complete disclosure; (b) adequate financial information; (c) effective control over, and accountability for, assets; (d) obligations and costs comply with applicable laws; and (e) revenues and expenditures applicable to the Department's operations are properly accounted for, so that accounts and reliable financial and statistical reports are prepared and accountability of assets are maintained.

2. Specifically, financial management systems shall be:

a. Designed to assist responsible officials in restricting the authorization or incurrence of obligations to the amount of, and for the authorized purposes for which the obligational authority is available.

b. Capable of providing timely disclosure of the authorization or creation of an obligation, or the making of disbursements in excess of amounts available in both unexpired and expired accounts.